

New York State Telephone Competition Survey

October 1999



Talmey-Drake
research & strategy, inc.

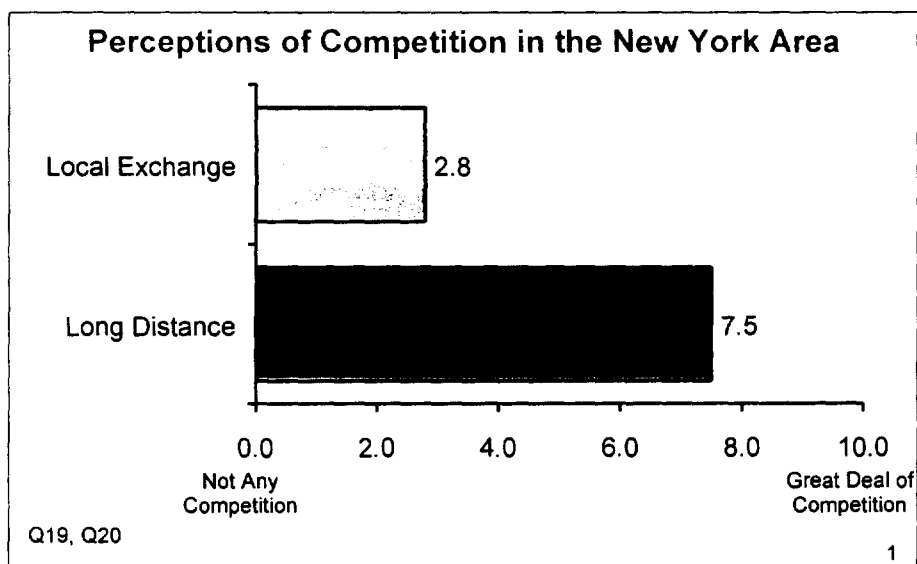
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Findings

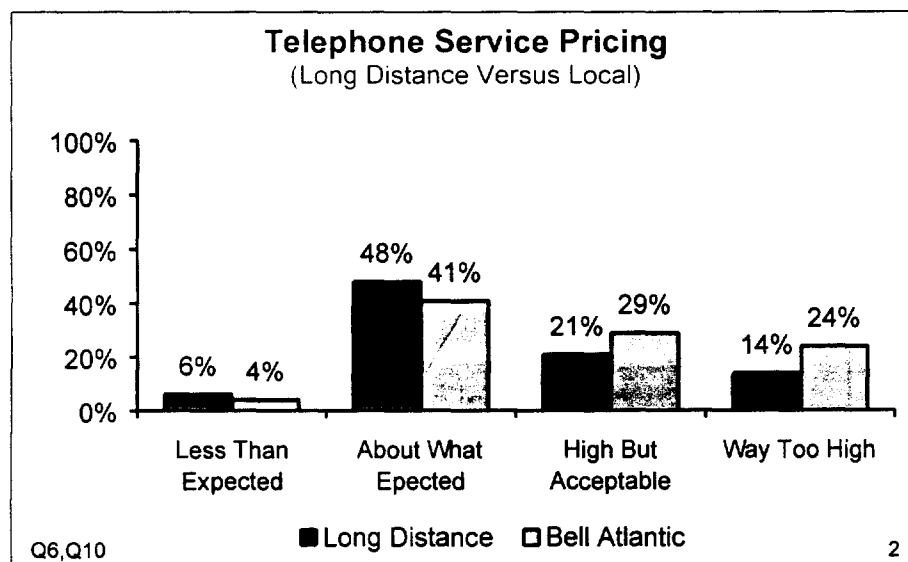
I. Attitudes About Competition in the Telecommunications Marketplace



New York residential telephone customers are much more inclined to rate competition in the long distance consumer market much higher than competition in the local exchange market.

People who are dissatisfied with their Bell Atlantic phone service are inclined to rate the level of competition for local phone service even lower.

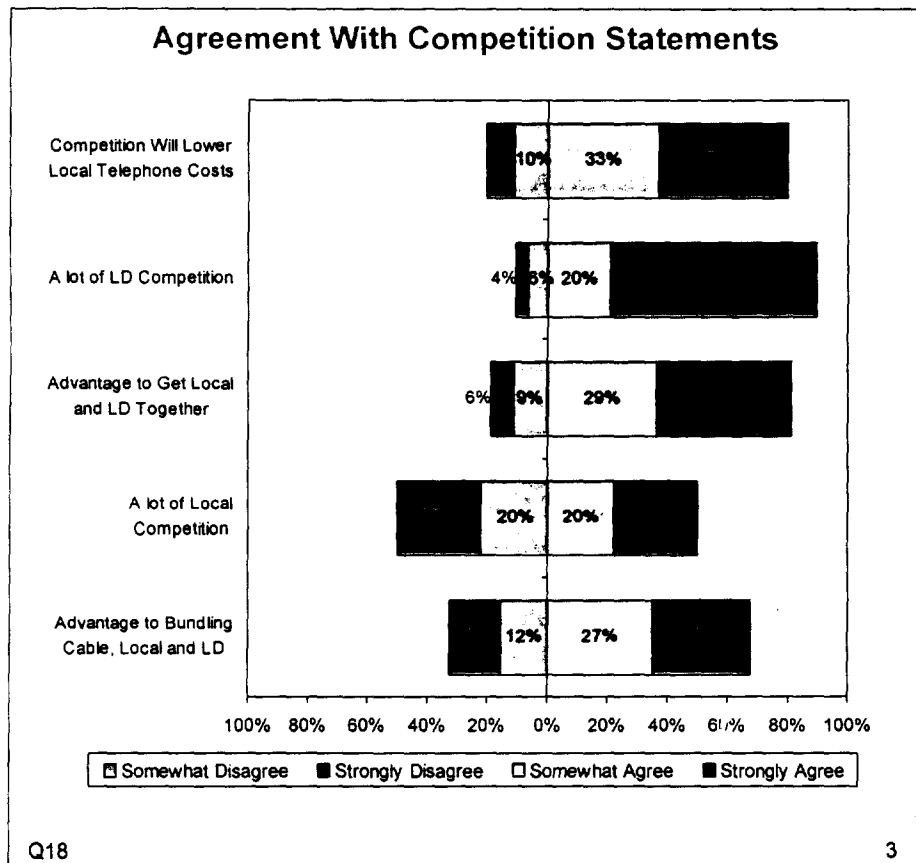




Bell Atlantic customers are more inclined to believe that long distance telephone service providers are charging more reasonable rates for their services as compared to what Bell Atlantic charges for local service.

More than fifty percent of residents (53%) feel that Bell Atlantic is charging high rates, while only 35% feel this way about their long distance carrier.





A large majority of New York residents (71%) believe that strong competition in the marketplace for local exchange service will lower the cost of local telephone service for most households.

More than four times as many residents do not think that there is a lot of competition in local telephone services (45% *Strongly* or *Somewhat* disagree), compared to those who do not think that there is a lot of competition in long distance telephone services (10% *Strongly* or *Somewhat* disagree).



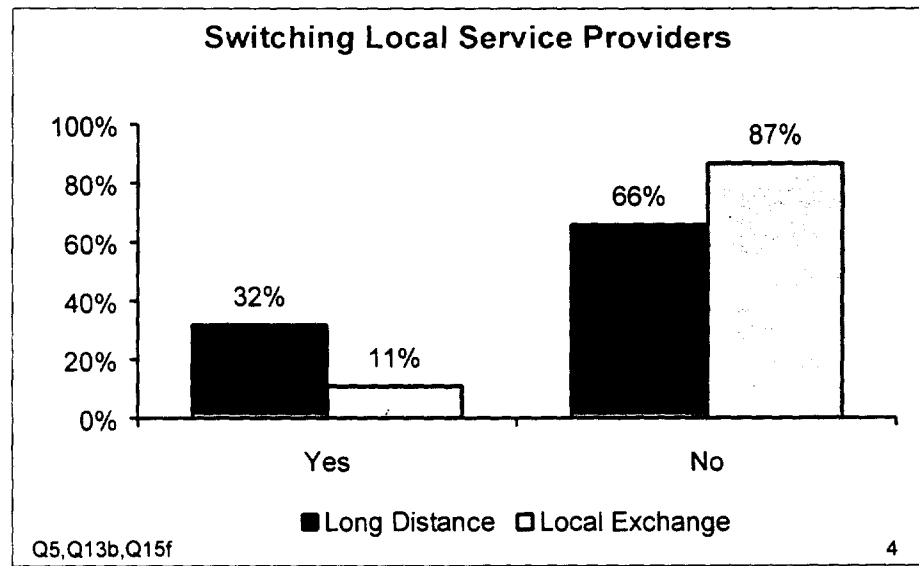
II. Choosing Local Exchange Carriers

Only 4% of the households surveyed report having a competitive local exchange carrier other than AT&T for their telephone services, 4% report having AT&T, 3% said they don't know who their telephone service provider is, and 90% of households report having Bell Atlantic as their LEC.

While 4% of households report having AT&T as their LEC, the brand strength and the pre-breakup presence of AT&T as the local phone company, compounded by AT&T's large share of the long distance market, appears to be creating confusion in some consumers' minds, causing them to believe their LEC is AT&T when in fact it is Bell Atlantic. Rigorous probing of residents who reported that they use AT&T revealed that many of them in fact have Bell Atlantic as their local exchange carrier, and associate that company with the old AT&T/Bell system. Calling back 38 people who had reported in question 12 that they have AT&T as their local telephone service provider and further interviewing them about their LEC, revealed 36 of the 38 had Bell Atlantic as their local telephone company. Survey interviewers were able to clarify the true carrier of many of those who are still confused by the changes associated with the AT&T break-up, but it appears that there are still Bell Atlantic customers in the survey who reported that they have AT&T for their local phone service. This ambiguity over AT&T makes the true market penetration of Bell Atlantic, when compared to other service providers, even more lopsided.



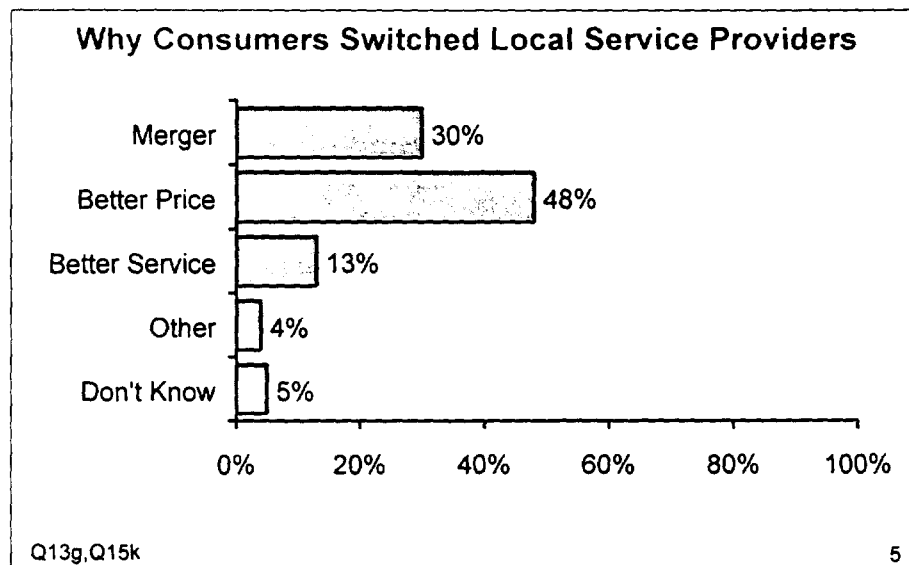
III. Switching to Alternative Local Exchange Carriers



When comparing how many customers have switched local exchange companies versus how many have switched long distance companies, dramatically more households have switched their long distance provider than their local phone carrier. Almost one in three (32%) of households surveyed report that they have switched long distance companies, compared to only one in ten (11%) households reporting they have switched LEC's.

Combining this finding with the number of households that report receiving LEC service from AT&T but are most likely to be Bell Atlantic customers and taking into account that almost one-third of customers who have switched report having done so for noncompetitive reasons, the reported proportion of customers who say they have switched their telephone service provider for *competitive reasons* falls from 11% to only 7%.

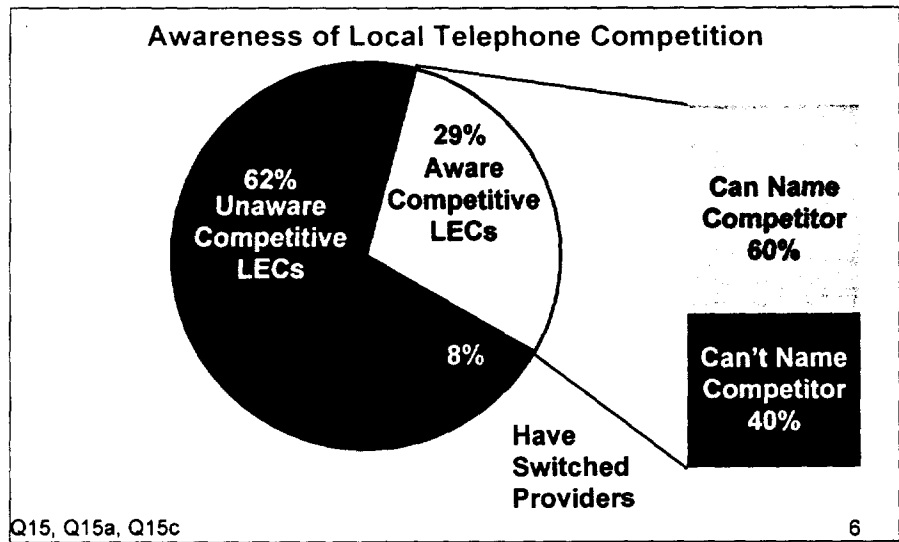




More than one-third of those who said they changed local phone carriers listed noncompetitive reasons for the change. Combining this finding with the number of households that report receiving LEC service from AT&T, but are most likely to be Bell Atlantic customers, the true proportion of customers who have switched their telephone service provider *for competitive reasons* falls from 11% to only 7%, and this includes those who have Bell Atlantic but say they have changed their local carrier - most likely from NYNEX or a predecessor such as AT&T.

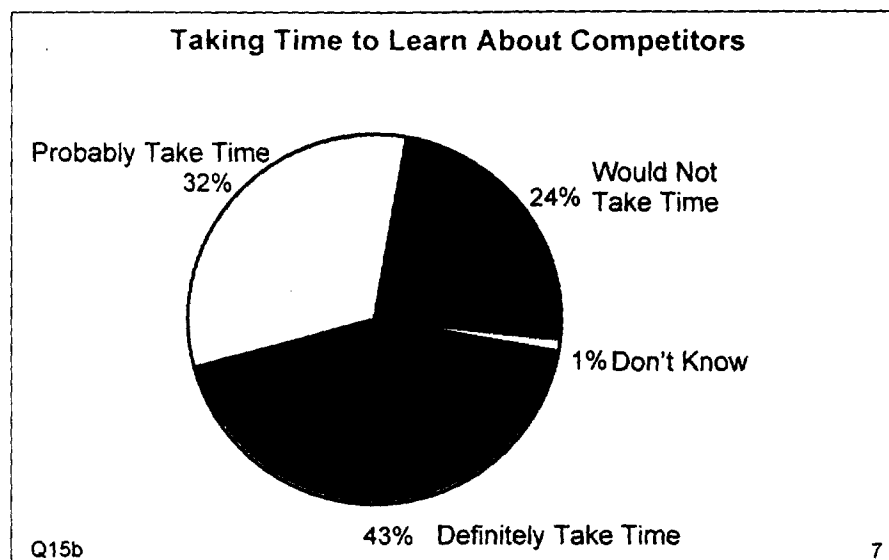


IV. Awareness of Local Telephone Competition



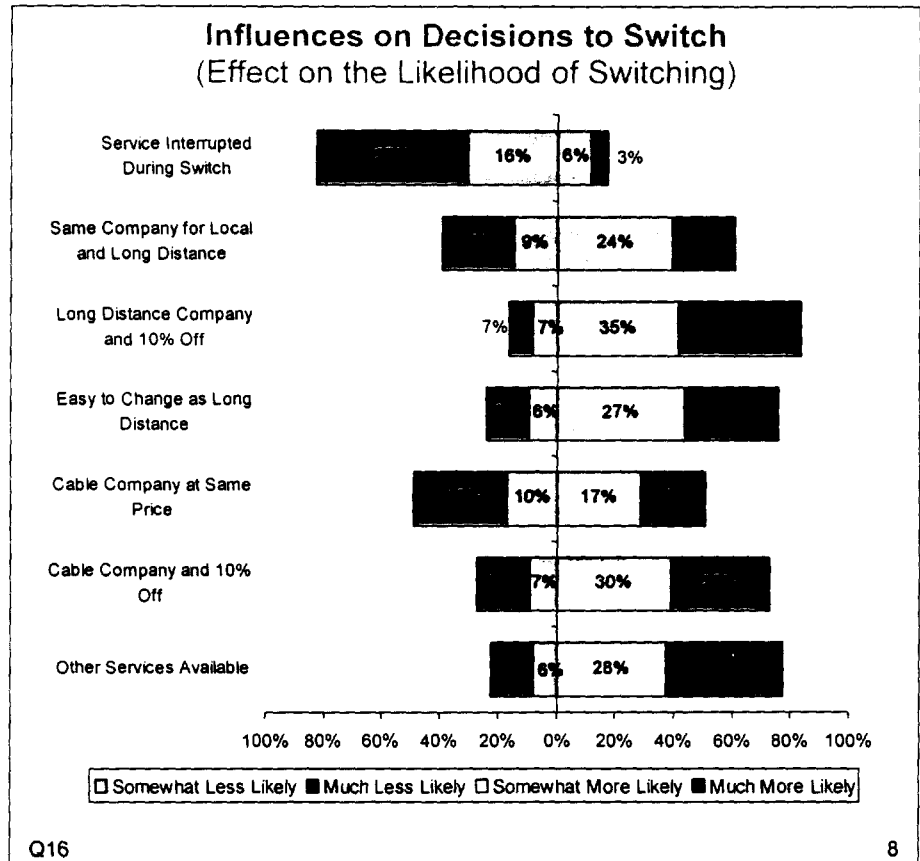
Almost two-thirds of New York Bell Atlantic subscribers believe that only one local exchange carrier provides service where they live. And of those who say they can choose among two or more LECs, 40% are unable to name a competitor to Bell Atlantic.





Interest in local phone competition is sufficient for 43% of Bell Atlantic customers who are unaware of competitive LECs in their area to say that they would "definitely" take the time to learn what competitors have to offer if there were competitive local phone carriers.

V. Influences on Decisions to Switch



The strongest influence on encouraging people to switch LECs is a 10% reduction in price offered by the customer's current long distance carrier.

The second influence on encouraging people to switch is bundling multiple telecom services together with local phone service.

The strongest impediment to switching comes from concern about service interruptions during the change over.



Methodology

Methodology

The *New York State Telephone Competition Survey* was conducted by Talmey-Drake Research & Strategy, Inc. of Boulder, Colorado, on behalf of the Competition Policy Institute. The results are based on 1,002 random telephone interviews with residential telephone subscribers in the State of New York conducted from September 1, 1999 to October 10, 1999.

The survey was designed to explore New York residential telephone subscribers' perceived availability of choice and competition for their local exchange carrier business.

The primary sample was generated from a random sample with replacement of 10,500 of all residential listed phone numbers in the state of New York with Bell Atlantic NXX's stripped of their last two digits and a two-digit random number then appended to each of the randomly drawn five-digit (plus area code) numbers. These numbers were called and identified as working or non-working, and business or residential (including business use in a residence). If a residence was reached, an interview was attempted. There were 959 completed interviews from this sample. While this sample was from Bell Atlantic NXX's, it does include those – identified by questions in the questionnaire – who now have service from a competitive local exchange carrier, CLEC, but who were able to keep their previous Bell Atlantic phone number.

To correct for the higher probability of contacting households with multiple phone lines compared to single line households, results were weighted by household inversely to the probability of being sampled. Weighting was also used to adjust the sample to better reflect the percent of telephone households in metropolitan New York City relative to upstate telephone households. Quotas were established to obtain an approximately equal representation of men and women in the final sample.

In order to estimate the relative residential market share—in terms of residential lines in use—of the CLEC's vis-à-vis the primary incumbent local exchange carrier (ILEC), Bell Atlantic, and to insure that the most recent CLEC customers were included in the population being sampled, two additional samples were generated:

1. A random sample with replacement of 1,000 CLEC NXX's was drawn from the 1,031 New York CLEC NXX's listed in the Local Exchange Routing Guide (LERG). A four digit random number was then appended to each of the randomly drawn NXX's. These numbers were then called and identified as working or nonworking, and to the extent possible business or residential (including business use in a residence). If a residence was reached, an interview was attempted. There were no completed interviews from this sample.
2. A random sample with replacement of 1,000 Bell Atlantic NXX's was drawn from the 3,197 New York Bell Atlantic NXX's listed in the Local Exchange Routing Guide (LERG). A four-digit random number was then appended to each of the randomly drawn NXX's. These numbers were then called and identified as working or nonworking, and to the extent possible business or residential (including business use in a residence). If a residence was reached, an interview was attempted. There were 43 completed interviews from this sample.

The percent of active residential lines from the CLEC and Bell Atlantic samples were then multiplied by the respective number of CLEC and Bell Atlantic NXX's times 10,000 to estimate the total number of residential lines in use with CLEC and Bell Atlantic NXX's. The percent (corrected for number of lines into the household) of those who had switched LEC's but kept their Bell Atlantic NXX, were then added to those with CLEC NXX's to estimate the CLEC market share. Phone numbers that, after repeated attempts, continued to not answer were apportioned according to the percentage of residential lines reached in the rest of each of the samples.

It is important to note, that due to the brand strength and the pre-breakup presence of AT&T as the local phone company, compounded by AT&T's large share of the long distance market, it appears that there is confusion in some people's minds to the extent that they believe their LEC is AT&T when in fact it is Bell Atlantic.



This AT&T confusion was evidenced by calling back 38 people who said in question 12 that they had AT&T as their local telephone service provider and further interviewing them about their local phone service provider. The result of this follow-up interview was that 36 of the 38 had Bell Atlantic as their LEC, and only two seemed to actually be AT&T local customers.

A second related factor affecting the estimate of market share is the perception of some respondents that they had changed local carriers due to mergers, i.e., the buyout of NYNEX by Bell Atlantic.

A much smaller, but nonetheless real, difficulty in estimating Bell Atlantic versus CLEC market share related to number portability. Approximately one-fourth of the 181,000 ported numbers (residential and business) in the state of New York are ported using Interim Number Portability. In other words, they effectively have two numbers and hence a higher probability of being called in a random sample of phone numbers though they would report having fewer phone lines when interviewed.

All three of these factors influencing the estimate of household market share tend to inflate the estimated CLEC percentage of market share.

All sample surveys are subject to sampling error – that is the degree to which the results of the survey might differ from what would have been obtained had the whole population of interest been surveyed. The extent of sampling error of a percentage result is function of sample size and the result obtained from the sample.

The table below provides an approximate 95%-confidence interval (plus or minus) for different sample sizes and percentage results.

For Percentages In the Range of	For Sample Size					
	1,000	750	600	400	200	100
10% to 20%	2.2%	2.6%	2.9%	3.5%	4.9%	7.0%
20% to 30%	2.7%	3.1%	3.5%	4.2%	6.0%	8.5%
30% to 40%	3.0%	3.4%	3.8%	4.7%	6.6%	9.3%
40% to 50%	3.1%	3.6%	4.0%	4.9%	6.9%	9.8%
50% to 60%	3.1%	3.6%	4.0%	4.9%	6.9%	9.8%
60% to 70%	3.0%	3.4%	3.8%	4.7%	6.6%	9.3%
70% to 80%	2.7%	3.1%	3.5%	4.2%	6.0%	8.5%
80% to 90%	2.2%	2.6%	2.9%	3.5%	4.9%	7.0%

Call Dispositions

New York Telephone Competition Survey
Call Disposition Report
Primary Sample¹

	<u>Count</u>	<u>Percent</u>
Total Numbers Called.....	10,500	100.0%
Invalid Numbers		
Nonworking/Disconnected phone.....	2204	—
Modem or Fax Tone ²	920	—
Business not in a residence	204	—
Government phone.....	<u>37</u>	—
Total Invalid Numbers.....	4021	38.3%
Refused to be interviewed- Residence	1161	11.1%
Refused to be interviewed- Business in a residence ...	7	0.1%
Failed screener	12	0.1%
Failed sex quota	286	2.7%
Not available for duration of project	639	6.1%
No answer/answering machine ³	2430	—
Called 5 times or more.....	2430	—
Called 4 times, no answer	223	—
Called 1 to 3 times, no answer	<u>0</u>	—
Total no answer.....	2653	25.3%
Terminated before interview completed- Residence	72	0.7%
Terminated before interview completed- Bus; in residence.	21	0.2%
Language Problems- Residence	654	6.2%
Language Problems- Business.....	15	0.1%
Total Completed Interviews⁴.....	959	9.1%
Cooperation rate.....		50.3%

Cooperation Rate Calculation:

$$\frac{\text{completed interviews} + \text{failed screener} + \text{failed quota}}{(\text{completed interviews} + \text{failed screener} + \text{failed quota} + \text{refusals} + \text{mid-terminations})}$$

¹ Bell Atlantic Prefix's, last 2 digits randomly generated.

² Called three times in order to confirm only modem/fax tone disposition

³ Average number of calls to "no answer/answering machine" is eight.

⁴ Total number of completed interviews is 1,002, including 43 from the first 1,000 Bell Atlantic Prefix's in which the last 4 digits were randomly generated.

New York Telephone Competition Survey
Call Disposition Report⁽¹⁾

	<u>Bell Atlantic 1,000</u>		<u>CLEC 1,000</u>	
	<u>Count</u>	<u>Percent</u>	<u>Count</u>	<u>Percent</u>
Total numbers called.....	1,000	100.0%	1,000	100.0%
Invalid numbers:				
Nonworking/disconnected number.....	460	—	895	—
Modem or FAX tone (all called up to three	142	—	15	—
Business not in a residence.....	101	—	44	—
Govt phone	15	—	1	—
Total invalid numbers.....	718	71.8%	955	95.5%
Refused to be interviewed.-residence.....	30	3.0%	1	0.1%
Refused to be interviewed.-business.....	2	0.2%	1	0.1%
Not available for duration of project-residence.	21	2.1%	0	0.0%
No Answer/Phone Busy. (Known residence, determined through reverse directory)				
Called 10 times or more, no answer.....	23	2.3%	0	0.0%
No answer/Phone Busy				
Called 10 times or more, no answer.....	47	—	35	—
Called 9 times, no answer.....	0	—	0	—
Total no answer.....	47	4.7%	35	3.5%
Business answering machine/Business Voicemail				
Called 10 times or more, no answer.....	11	—	0	—
Called 8 times, no answer.....	1	—	2	—
Called 7 times, no answer.....	1	—	1	—
Called 6 times, no answer.....	2	—	0	—
Total business ans mach/voicemail....	15	1.5%	3	0.3%
Residence answering machine/res. voicemail				
Called 10 times or more, no answer.....	46	—	0	—
Called 8 times, no answer.....	0	—	1	—
Called 7 times, no answer.....	13	—	2	—
Called 6 times, no answer.....	2	—	0	—
Total residence ans mach/voicemail...	61	6.1%	3	0.3%
Terminated before interview completed.....	8	0.8%	0	0.0%
Language problems- all residence.....	32	3.2%	2	0.2%
Total completed interviews.....	43	4.3%	0	
Cooperation rate.....		51.8%		n/a

Cooperation rate calculation:

completed interviews + failed screener + failed quota
(completed interviews + failed screener + failed quota + refusals + mid-terminations)

(1) These samples were used to estimate the number of Bell Atlantic residential lines and the number of CLEC residential lines

Percentages

New York State Telephone Competition Survey

Hello, my name is _____, and I'm with Talmey-Drake Research. We're a public opinion and market research firm calling from Boulder, Colorado. First, I want to assure you that we're not selling anything; we're conducting a survey of people in your community about local and long distance telephone service. First, I would like to confirm...

SCREENER

- A. That I have reached you at a residential phone number and not a business phone number? If this phone number is used primarily for business or work, but is located in a residence, please just say so.

	Total [n=1002] ^{1,2}	
Residence.....	98.5%	⇒ Go to B
Business.....	ns ³	⇒ Terminate
Business/work line, but in a residence.....	1.5%	⇒ Go to B

- B. And are you 18 years old, or older, and that you either individually or jointly are a head-of-household at this residence?

Yes.....	100%	⇒ Go to D
No.....	ns	⇒ Go to C

- C. Is there someone in this household, who is 18 years old, or older, who is a head-of-household, with whom I may speak?

Yes.....	100%	
No.....	ns	⇒ Terminate

- D. Because your telephone number was randomly selected by a computer, would you please tell me what state you live in?

New York.....	100%	⇒ Continue
State other than New York.....	ns	⇒ Terminate
DK/NS/Refused.....	ns	⇒ Terminate

- E. Sex? [Do not ask] [n=1002]

	Total [n=1002]	
Male.....	48.5%	
Female.....	51.5%	

¹ See Methodology section regarding weighting based on the number of phone lines in a residence and area.

² Not all percentage responses to questions will add to exactly 100.0% due to rounding and questions that allow multiple responses from a respondent.

³ ns Indicates respondents answering with this response were not interviewed.

1. In the past few years there have been many changes in America's telephone system. Everything from new services, to new technology, to new companies has changed the way Americans use their telephones. Some people say that these changes have been for the worse; that for the average person was better when there was just one company providing phone service. Others say that the changes have been for the better. People now have more choices, and today's telecommunications technology lets them communicate better and faster than ever. What do you think? Do you think the changes in this country's telephone system in the past few years has made things better, or do you think it has made things worse?

	<u>Total</u> [n=1002]
Made things better.....	56.8%
Made things worse.....	21.9%
Neither better or worse [No prompt].....	8.5%
Some things better, some worse [No prompt].....	9.1%
DK/NS.....	3.6%

2. As you know, there are many companies today that provide long-distance telephone service. Off-hand, could you tell me the names of some of these companies that offer long-distance telephone service in your area? [Probe] Any others you can think of? [Multiple response.]

	<u>Total</u> [n=1002]
AT&T.....	83.0%
MCI / WorldCom.....	74.7%
Sprint.....	69.7%
Bell Atlantic/NYTEL/NYNEX.....	24.8%
Any mention of 1010 services.....	7.3%
Excel.....	2.8%
LCI.....	1.2%
AOL.....	1.1%
Quest.....	1.0%
RCN.....	0.6%
Lifeline.....	0.6%
Frontier.....	0.4%
GTE.....	0.4%
Touchone.....	0.2%
Working Assets.....	0.2%
DK/NS/Can't think of any.....	3.6%
Other.....	4.2%

3. And what company is your household's primary long-distance carrier? By primary long-distance carrier I mean the company that would handle a call if, using your home phone, someone in your household telephoned a person in another state by dialing 1 plus the person's area code and number.

	<u>Total</u> [n=1002]
AT&T.....	55.0%
MCI / WorldCom.....	14.0%
Sprint	4.6%
R only uses 1010 dial around/Calling Card/800 number	2.3%
Excel.....	1.5%
Bell Atlantic/NYTEL/NYNEX.....	1.0%
AOL.....	0.9%
Quest.....	0.5%
LCI.....	0.4%
Working Assets	0.3%
Frontier	0.1%
Touchone	0.1%
DK/NS/Can't think of any	16.4%
Other	2.9%

4. In the past few months have you seen or heard any advertising or received any marketing mail or phone calls from long-distance telephone companies trying to get you to switch your long-distance telephone carrier?

	<u>Total</u> [n=1002]
Yes.....	72.8%
No	25.9%
DK/NS/Don't remember	1.3%

5. And in the past two years has your household switched primary long-distance telephone companies?

	<u>Total</u> [n=1002]	
Yes.....	31.8%	⇒ Go to Q5a
No	66.0%	⇒ Go to Q5b
DK/NS.....	2.2%	⇒ Go to Q6

- 5a. [Ask only if R switched LD carriers in Q5] How difficult was it to change your household's long-distance carrier? Was it very difficult to change your household's long-distance carrier, somewhat difficult or was it easy to change long-distance companies?

	<u>Q5a</u> [n=318]	<u>Total</u> [n=1002]
Very difficult	4.7%	1.5%
Somewhat difficult.....	12.8%	4.1%
Easy	81.4%	25.9%
DK/NS	1.1%	0.3%
Not asked Q5a.....	—	68.2%

- 5b. *[Ask only if R has not switched LD carriers in Q5]* Even though your household has not switched long-distance telephone companies in the past two years, how difficult do you think it would be to change your household's long-distance carrier? Do you think it would be very difficult to change your household's long-distance carrier, somewhat difficult, or do you think it would be easy to change long-distance companies?

	Q5b [n=661]	Total [n=1002]
Very difficult	4.0%	2.7%
Somewhat difficult.....	7.7%	5.1%
Easy	81.7%	54.0%
DK/NS	6.6%	4.3%
Not asked Q5b	—	34.0%

6. And overall would you say the price of long-distance telephone service from your household's primary long-distance carrier is way too high for what you get, high but acceptable, about what you would expect to pay, or is it less than what you would expect to pay for it?

	Total [n=1002]
Way too high	14.2%
High but acceptable.....	21.4%
About what one would expect	47.0%
Less than what one would expect.....	6.8%
No opinion/DK/NS.....	10.5%

7. *[If Q3= "R only uses dial around/calling card/800" go to Q8]* And on average, about how much a month does your household spend with your primary long distance provider, *[Name from Q3]*, for long distance calls?

	Q7 [n=979]	Total [n=1002]
Less than \$10	18.6%	18.2%
\$10 to \$20	22.2%	21.7%
\$21 to \$40	20.7%	20.3%
\$41 to \$70	12.6%	12.3%
\$71 to \$100	8.4%	8.2%
\$101 or more	6.8%	6.7%
DK/NS.....	10.6%	10.3%
Not asked Q7	—	2.3%
Average	\$45.65	
Median	\$25.00	